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UNIDO CO-OPERATION IN THE INDUSTRIAL DEVELOPMENT OF THE LEAST DEVELOPED COUNTRIES */

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INTRODUCTION

1. In the past decade, and the beginning of the current one, the pivotal role of industrialization in the ultimate elimination of poverty in the Third World in general, has been recognized and affirmed in national and international fora. The Lima Declaration and Plan of Action on Industrial Development and Cooperation, adopted in March 1975, recalled General Assembly Resolutions 3201 (S-VI) and 3202 (S-VI) of 1 May 1974 on the Declaration and Programme of Action on the Establishment of a New International Economic Order and stressed that industrialization in the least developed countries must take place at a more rapid pace than average.

2. The New Delhi Declaration and Plan of Action on Industrialization of Developing Countries and International Cooperation for their Industrial Development emphasized the need for the re-structuring of world industry in order to bring about the collective self-reliance of the developing countries, guarantee their full sovereignty over their natural resources and realize the potential of industrialization as a means of achieving full employment, removing poverty and meeting the needs of their peoples.

3. The Lagos Plan of Action for the Implementation of the Monrovia Strategy for the Economic Development of Africa called upon the Member States of the Organization of African Unity (OAU) to accord a major role in their development plans to industrialization in view of its impact on meeting the basic needs of the population, ensuring the integration of the economy and the modernization of society. To this end, and in order for Africa, which has 20 out of the 30 least developed countries, to achieve a greater share of world industrial production as well as to attain self-reliance in the shortest possible time, Member States proclaimed, and the General Assembly later adopted, the decade of the 1980s as The Industrial Development Decade for Africa. The OAU further declared that in the 1980s its Member States collectively should aim at achieving 1.4% of world industrial production while seeking to attain self-sufficiency in food, building materials, clothing and energy.

4. Chapter II of this paper highlights the technical cooperation activities which UNIDO, as the Organization in the United Nations system invested with the central coordination role in the field of industrial development, has carried out in the 1970s in favour of the least developed countries. In chapter III, broad indications are given of the main directions of movement, the major areas of emphasis and, to the extent possible, the probable orders of magnitude with regard to technical and economic cooperation with the least developed countries in the 1980s.

HIGHLIGHTS OF UNIDO's TECHNICAL COOPERATION WITH THE LEAST DEVELOPED COUNTRIES IN THE 1970s

5. In 1975, the year in which UNIDO started maintaining separate statistics on technical assistance delivery to the least developed countries as a distinct group from the rest of the developing countries, the total value of technical assistance delivered to the least developed countries was $4.7 million, representing 12.9% of the total assistance of $36.5 million delivered to the developing countries as a whole (i.e. including the least developed countries) in that year. From that modest beginning and until 1980 the volume of technical assistance delivery to the least developed countries grew steadily in absolute terms and, with one minor exception, also as a percentage of total annual delivery to all developing countries as reflected in the following table.

Technical Assistance Delivery

Year	To all developing countries ($ million)	To least developed countries ($ million)	%
1975	36.5	4.7	12.9
1976	40.0	6.9	17.2
1977	43.9	7.5	17.1
1978	55.1	12.8	23.2
1979	70.5	16.6	23.5
1980	76.1	19.0	25.0
Total	322.1	67.5	21.0

6. The delivery figures shown above in respect of the least developed countries apply to allocations made from resources set aside exclusively for those countries. They do not include the additional proportionate share enjoyed by least developed countries through their participation, along with other developing countries, in regional and inter-regional projects and programmes funded from non-least-developed-country resources. If this latter component were taken into account, the average annual share of delivery to the least developed countries, as a proportion of total delivery, would be about 23 per cent and around 30% in 1980.

7. A few other comparisons are significant: the value of technical assistance delivered to the least developed countries in 1980 ($19 million) is nearly equal to that delivered to all developing countries in 1973 ($20.1 million). Between 1975 and 1980 the dollar value of delivery to the least developed countries more than quadrupled, from $4.7 million to $19.0 million, and its ratio to overall annual delivery to all developing countries nearly doubled, from 12.9% to 25%.

8. The major proportion (about 80%) of the above resources were provided by UNDP in the form of indicative planning figures (IPFs) for programming purposes. The rest were provided from UNIDO's own funds, mainly the United Nations Industrial Development Fund (UNIDF).

9. The principal expenditure components were:

(a) provision of expertise (which accounted for about 52% of the average annual expenditure)

(b) sub-contracts and equipment (32%)

(c) fellowships and training (13%)

(d) miscellaneous (3%).

10. The priority areas of UNIDO technical assistance in the 1970s included the strengthening of the institutional infra-structure in the least developed countries, the transfer of technological and management know-how, the training of technical and middle management cadres, the improvement of capabilities in the fields of industrial planning, and project formulation and evaluation, investment promotion, support to the processing of domestic raw materials resources, special assistance to the Sahelian and other drought-stricken countries of Africa and the setting up of pilot or small scale production units, industrial estates or industrial free zones. Projects in the agro-industries sector - covering such industries as leather and leather products; wood processing and wood products; textiles and food processing - were developed with close attention to local factor endowment. Random examples of the types of assistance provided to least developed countries during the past decade are given in paragraphs 11 to 18 below.

11. During the first half of the decade, a number of least developed countries were assisted to orient their domestic industries towards greater export competitiveness. These include preliminary assistance to countries such as Samoa, Tanzania and Gambia to explore industrial free zone possibilities. In the field of industrial institution-building, a number of countries, among them Nepal and Afghanistan, received assistance in the setting up of Industrial Services Centres for the identification and formulation of industrial investment projects. An Industrial Promotion and Advisory Unit was set up in Yemen with UNIDO assistance, while small-scale industry centres and industrial estates were promoted in Botswana, Burundi, Chad, Benin, Ethiopia, Rwanda, Somalia and Upper Volta.

12. Regional workshops, such as the one organized in cooperation with ECA in early 1974 in Addis Ababa, featured as an important medium for imparting skills to least developed country participants in such fields as industrial project preparation and evaluation and small-scale industry management. For the least developed countries of Asia and the Pacific, a similar workshop was organized in Nepal in April 1974 and another in India in October of that year in cooperation with the Indian Government.

13. Haiti received assistance in the drawing up of an investment code; Somalia in post-harvest technology, and Ethiopia and Afghanistan in industrial product standardization. A feasibility study was carried out in Bhutan for setting up a cement plant while in Rwanda, a pilot plant was established for the production of pyrethrum.

14. In the field of investment promotion the UNIDO/World Bank Investment Cooperative Programme and the UNIDO Investment Promotion Service assisted a number of least developed countries in locating foreign investment for industries such as textiles, food, wood and building materials.

15. UNIDO continued to expand and strengthen its training programme as one of the pillars of its overall technical assistance effort. An analysis of training requests received from Governments suggested that the developing countries, including the least developed among them, were assigning priority to (a) the establishment of national training institutions, (b) the development of training departments within existing organizations, (c) specialized training programmes for specific groups and (d) strengthening and expanding existing institutions.

16. In 1979 the technical assistance rendered by UNIDO to industrial projects in all developing countries included an aggregate training component valued at $9.41 million. In addition, special training programmes not linked to technical assistance projects were organized to the tune of $6.1 million, bringing the total expenditure on training to $15.51 million. A substantial proportion of these expenditures were in respect of trainees from least developed countries.

17. UNIDO also paid particular attention to the special problems of the least developed countries of the Sudano-Sahelian region and other drought-stricken developing African countries. For example, assistance totalling $80,000 was provided to Mali in 1977 to help its National Institute for Solar Energy to develop simple solar equipment for solar refrigeration and for conversion of solar to electrical energy, etc. Earlier consultant services were provided for evaluating the workshops in each of the affected countries and for identifying their needs for integrated assistance, including the sizes of funds needed, to increase the capacity of their production units for the local manufacture and assembly of agricultural implements and machinery, pumps and allied products. Contact was also maintained with the United Nations Sahelian Office (UNSO), the Sahel Institute and the Permanent Inter-State Committee for Drought Control in the Sahel.

18. As a special measure for promotion of industrial development in the least developed countries, UNIDO has established a new activity exclusively for that group of countries under its programme of technical and economic

cooperation among developing countries. It carries the title 'Solidarity Meetings', which reflects the philosophy behind this activity, namely, to strengthen South-South Cooperation practically oriented towards joining in the industrialization of a selected least developed country. These meetings are organized at ministerial level after thorough preparations which, inter alia, include preparation of specific industrial projects which the host countries consider suitable for enlisting assistance of various types (financial technological training etc.) from other invited developed countries and arranging, prior to the meeting, detailed examination of these projects in the invited countries. The meeting having been apprised of the industrial situation in the host country, splits itself into bilateral meetings to firm up the modalities of cooperation and reassembles to wrap up the programme. Intensive follow-up leads to implementation of agreed arrangements. Five such meetings have been held in Afghanistan, Bangladesh, Haiti, Sudan and Tanzania. Two more are planned this year in Upper Volta and Mauritania.

19. UNIDO's programme of country studies is likewise exclusively devoted to the least developed countries in 1981 and 1982. The industrial situations in ten least developed countries will be studied in each year. The special feature of these studies would be the inclusion in each of comprehensive inventories of their resources, particularly alternative energy resources. Other measures include: organizing jointly with the Organization of African Unity an OAU/UNIDO Symposium on Industrial Technology for Africa, in which representatives of 14 African least developed countries participated; financing LDC participation in meetings of the system of consultations; and increasing the number of Senior Industrial Development Field Adviser (SIDFA) posts in the least developed countries.

20. UNIDO efforts to mobilize, through new and institutionalized mechanisms, greater resources for the industrial development of developing countries in general and the least developed countries in particular, include two specific proposals aimed at the establishment of (a) an International Bank for Industrial Development, and (b) an industrial project preparation facility.

INDICATIVE ACTION PROGRAMME FOR THE 1980s

21. Resources permitting, UNIDO's assistance to the developing countries in general, and the least developed countries in particular, will be substantially expanded in the 1980s. On the basis of current projections, assistance delivery (project implementation) in favour of all developing countries should exceed $200 million in 1986 and reach $300 million by 1989, compared with $76.1 million in 1980. The corresponding delivery figures in favour of the least developed countries, based on the historically observed ratio of 23% (see paragraphs 5 and 6 above), would be $46 million or better in 1986 and $69 million in 1989, compared to $19 million in 1980. Should these projections be correct, the cumulative value of assistance delivery to the least developed countries in the field of industrial development in the 9 years from 1981 to 1989 should amount to approximately $375 million or an average of about $42 million per year or $1.4 million per least developed country per year.

22. Considering that the major proportion (ca. 80%) of these funds will come from UNDP country and regional IPFs, and that by and large, the IPFs for the least developed countries have been doubled, and in some cases trippled for the third cycle compared to the second cycle, the above estimates are by no means unattainable, provided of course the least developed countries themselves accord the priority and resources to the industrial sector that are necessary for achieving their industrial development objectives and targets. (See paragraph 3.)

23. It is to be expected that the priorities set out in the Lagos Plan of Action for the Member States of the OAU, and therefore for the 20 African least developed countries, will shape the pattern of requests from those countries during this decade. A close examination of those priorities shows that they apply with equal validity to least developed countries everywhere, judging from known needs and past requests. Therefore they have been adopted as the basis and principal guidelines for UNIDO's programme for the least developed countries generally in the 1980s; it being understood that this is without prejudice to the flexibility retained by the Organization to respond to the needs of any particular least developed country in accordance with that country's own priorities. Thus the overall programme priorities are the following:

(a) creation of a solid base for self-sustained industrialization

(b) development of human resources

(c) production of agricultural inputs

(d) production of building materials and other construction inputs

(e) production of intermediate and capital goods

(f) processing and up-grading of local raw materials resources

(g) development and economical use of energy for industrial development

(h) Production of textiles.

Creation of a solid base for self-sustained industrialization

24. One of the elements of this base if the institutional infra-structure. UNIDO will provide assistance to, or help set up, institutions responsible for such services to industry as product standardization, quality control and metrology, material testing, industrial research and development or adaptation of technology. It will also provide expanded support, through training programmes and consultant services, for the development or improvement of local capability in carrying out feasibility studies, project identification, formulation and evaluation.

25. In cooperation with other appropriate agencies and regional and national organizations, UNIDO will intensify its assistance programme in the field of transfer of industrial technology. Special attention will be given to the strengthening of the mechanisms for the formulation of technology policy and planning, dissemination of industrial technological information,

cooperation among technology institutions and the development of technology manpower. Expert consultants will be provided to offer technological advice before or during negotiations for the acquisition of new plant or a new technological process.

26. Industrial enterprises in least developed countries are generally faced with serious problems of low productivity and under-utilization of capacity, often as a direct result of poor management. UNIDO will continue, and increase its assistance programme in the fields of industrial management, consultancy, management accounting and management information systems.

27. The UNIDO/World Bank Investment Cooperative Programme will continue its assistance in identifying and promoting projects for investment by financial institutions and potential investors in developed countries. The UNIDO Investment Promotion Service, with offices in Brussels, Cologne, Paris, Zurich, Vienna, New York and Tokyo, and others to be opened in the future, will continue to contribute to the efforts of the least developed countries to promote investment projects. These offices will also train representatives of these countries on the job in project promotion activities, along the lines of the programme which was started in New York in 1979.

28. Support will be given to the least devloped countries in the establishment of foundry industries as a basis for the production of agricultural implements. Special attention will also be paid to assisting existing, or helping to establish, metallurgical industries particularly in such areas as charcoal-based iron-making, mini steel plants (rolling mills), ferro-alloys, etc.

Development of human resources

29. Recognizing the fact that development of skills holds the key to socio-economic development, particularly in the industrial sector, UNIDO, building upon its experience in the least developed countries, is in the process of formulating a five year special programme of industrial training, including vocational training, for the least developed countries. Close cooperation with ILO will be sought in this effort. The main thrust of the programme is to support speedily and effectively those industrial sub-sectors where national plans and priorities require speedy and substantial inputs of skills but where these are not adequately available. The methodology, to be developed jointly with ILO, will seek to exploit all avenues of imparting skills which may be available locally and abroad through specially tailored programmes in establishments (institutes, factories etc.) in developed and developing countries and by upgrading the capacities in the local sub-regional and regional establishment. In addition to the above, traditional project-linked training activities will be continued and, wherever possible, expanded.

Production of agricultural inputs

30. In accordance with the recommendations of the Second Consultation Meeting on the Fertilizer Industry, UNIDO will give special attention and intensify the assistance given to the least developed countries with respect to the preparation of feasibility studies, negotiation of contracts, supervision of implementation of plant construction, setting up a management structure, assistance in efforts to finance infrastructure, and the creation of marketing and distribution systems. UNIDO will assist in the

establishment of close cooperation between existing sub-regional, regional and interregional associations or federations of fertilizer enterprises and fertilizer industry development centres concerned with the development of the industry, and will support the establishment of regional fertilizer industry research and development centres.

31. In collaboration with UNCTAD and FAO, UNIDO will encourage production and consumption of fertilizer products and promote interregional trade in raw materials, intermediates and finished fertilizer products. UNIDO will also promote the establishment of national programmes for the composting of municipal garbage in urban centres. To reduce the proportion of grain crops lost to pests annually, UNIDO will assist the least developed countries to step up the formulation and/or production of pesticides using locally available raw materials and taking into account local conditions, requirements and demand. In particular, support will be given to the research and development effort of national pesticides research institutes aimed at producing new pesticide formulations. Depending on each country's needs, assistance will also be given in the rehabilitation, strengthening or establishment of agricultural machinery workshops for the production of low-cost farm equipment and for the training of local personnel. Attention will also be paid to the development, selection and local manufacture of irrigation pumps, water drilling equipment, pipes and allied irrigation machinery and windmills.

32. Assistance will be given in the establishment of sub-regional pilot demonstration units for the development of appropriate technology and the promotion of simple agricultural tools, animal-drawn implements, and manually operated equipment. These units will serve as the nuclei for the further establishment of similar plants, with emphasis on technology transfer, cooperation among member states, import substitution, strengthening of engineering design capabilities, production of appropriate hand tools, implements and simple equipment, as well as grain storage bins, and training of local personnel.

Production of building materials and other construction inputs

33. Special attention will be given to the development of building materials manufacture in rural areas in order to achieve self-sufficiency in the local manufacture of low-cost building materials, improve housing conditions, and accelerate the socio-economic development of rural areas. Studies will be carried out to determine the raw materials base, the requirements of the construction sector, the scope for improving materials and structures, and the technical properties of specific housing types. Facilities and services to be provided will include pilot demonstration units adapted to local technologies, model houses, training of local staff, and planning. In the lime industry, assistance will be directed to developing and adapting appropriate technologies at the village scale. With regard to heavy clay products, UNIDO will assist in the production of small to medium-scale brick and tile plants, with an appropriate balance between mechanization and labour intensity.

Production of intermediate and capital goods

34. At the planning stage UNIDO could provide assistance aimed at avoiding production and technological gaps in the economy, and at determining the feasibility and viability of producing specific items. UNIDO's assistance to the development of the capital goods industry will take into consideration such factors as domestic and export market demand, possibilities of economies of scale, access to technological information, availability of skilled personnel and the country's factor endowment.

Processing and up-grading of local raw material resources

35. To the extent possible UNIDO will provide, upon request, assistance for the development of pulp and paper industries with emphasis on the use of local fibre materials such as straw, bagasse, or waste paper, developing new technologies and fibre mixtures for the production of newsprint as well as packaging, printing and writing paper. Attention will also be given for the survey and exploitation of locally available resources, including forest as well as mineral resources such as salt, soda ash, clay, bentonite, etc. either for domestic consumption or for use as industrial inputs.

36. Activities in the field of integrated food processing industries will be intensified by providing technical assistance and training in the processing, for the domestic and export markets, of agricultural raw materials, such as dates, mangoes, and other tropical fruits, cashewnuts, cocoanuts, cloves, meat, vegetable oils and fats; and by improving technical operations in sugar plants, and encouraging better utilization of such sugar by-products as bagasse and molasses. Assistance will also continue to be given to the leather sector to improve the production performance of tanneries and promote the manufacture of different types of leather and leather products.

Development and economical use of energy for industrial development

37. Energy resources and their efficient utilization in industry will be given special attention. This will involve energy auditing and planning at sectoral and plant levels, conservation measures, deliberate energy and industrial development or deployment strategies ensuring the optimal use of locally available energy resources, as well as the minimization of heat and distribution losses; non-waste technology industrial production processes (e.g. re-cycling of materials); etc. To that end, a combination of activities will be carried out aimed at the achievement of energy efficiency: advisory services, including, in particular, advice on the industry dimension of national energy strategies; advice on energy auditing, planning and conservation at plant as well as sectoral level; pilot and demonstration projects; dissemination of information on energy-saving practices, processes and technologies. To promote the production of appropriate energy-related equipment and appliances, efforts will also be made at the policy level to ensure that a substantial share of such equipment and appliances is produced in developing countries.

Production of textiles

38. Technical assistance to the textile industry will continue to focus on building national institutions in the least developed countries capable of providing technical assistance to the industry in those countries and capable of conducting applied research and development. In addition, direct assistance will be given to the textile mills to improve their technology, productivity, capacity utilization, preventive maintenance and repair facilities, product quality, and domestic and export marketing capability. Training will be provided for upgrading the performance and efficiency of managerial and technical personnel. UNIDO will continue to work closely with other international, inter-governmental and non-governmental organizations dealing with the textile industry with a view to developing joint programmes and symposia, on appropriate textile technologies such as cotton finishing processes, jute technology etc., of particular interest to the least developed countries.